

# STATISTICS OF INCOME FOR 1930

TREASURY DEPARTMENT,  
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,  
Washington, D. C., October 18, 1932.

SIR: In accordance with the provisions contained in the revenue act of 1916 and subsequent acts for the publication annually of statistics with respect to the operation of the income, war-profits, and excess-profits tax laws, I have the honor to transmit herewith a report entitled "Statistics of Income for 1930," prepared from the income tax returns of individuals and corporations for that year filed during 1931, with a historical presentation of the income and tax liability reported by individuals and corporations since the inception of the present period of income taxation under the sixteenth amendment to the Constitution. The report also contains tabulations of data from estate tax returns filed during 1931, irrespective of the date of death of the decedent, and a brief historical summary.

## GENERAL EXPLANATIONS

*Procedure in tabulation.*—The income tax returns for 1930 are filed under the provisions of the revenue act of 1928. The year for which the income is reported is in general the calendar year ended December 31, 1930. However, a considerable number of corporation returns and a negligible number of individual returns are filed for a fiscal year other than the calendar year. These returns are tabulated with the calendar year returns for the year in which the greater part of their accounting period falls. Thus there are included with the returns for the calendar year 1930, returns with fiscal year ending within the period July 1, 1930, to June 30, 1931, and fractional (part year) returns for which the greater part of the period falls in 1930.

The general tables for the corporation returns in this report include calendar, fiscal, and fractional (part year) returns, except when otherwise specified. The general tables for individual returns, except Table 11, do not include data for returns with no net income. Such returns, as well as returns showing net income below the minimum provided by the revenue act for the filing of a return, are filed in accordance with a statutory requirement that every individual with gross income of \$5,000 and over file an income tax return. The data tabulated from returns with no net income are shown on pages 17-18, 86, 139. Prior to 1928 no tabulations were made of such returns.

The statistics contained in this report are based on the taxpayers' returns as filed, unaudited except for a preliminary examination to insure proper execution of the returns, and include amended returns showing net income of \$100,000 and over, but do not include amended returns with net income under \$100,000. Income tax returns filed by individuals having net income of \$5,000 and over and individual

returns of net income under \$5,000 which display income characteristics similar to those usually found in returns of net income of \$5,000 and over, such as varied or unusual sources of income or gross income far in excess of the \$5,000 net income, and returns filed by corporations, regardless of the size of net income, pass through the statistical section, and the data are tabulated from each of these returns.

For individual returns of net income under \$5,000, except those specified above, estimates are made on the basis of a sample. Averages for the various items from a sample for each State are applied to the total number of returns of the class which they represent to secure estimates for the particular State. The samples are selected from both forms on which individual incomes are reported—Form 1040 for net income from salaries or wages of more than \$5,000, or income regardless of amount from business, profession, rents, or sale of property, and Form 1040-A for net income of not more than \$5,000, derived chiefly from salaries and wages. All 1040 returns are sent to Washington for audit, and those with net income under \$5,000 are sampled by the statistical section. The 1040-A returns are audited in the collection districts, and samples only are sent to Washington.

The sample for 1930 totaled about 425,000 returns and consisted, for 1040 returns with net income under \$5,000, of approximately 10 per cent of the returns filed, with a minimum of 4,000 returns for each collection district (distributed approximately equally between taxable and nontaxable returns), and, for 1040-A returns with net income under \$5,000, of a number approximately equal to 10 per cent of the returns, with a specified minimum of 2,000 returns (distributed approximately equally between taxable and nontaxable returns). In the case of each of the Forms 1040 and 1040-A showing net income under \$5,000, where the number of returns filed in any collection district was less than the respective minima, the entire number filed was tabulated.

For 1929 and subsequent years the number of returns with net income under \$5,000 is based in part on Income Tax Unit reports and in part on reports of collectors; for years prior to 1929 they are based on collectors' reports. (See 1929 Statistics of Income, p. 2.)

*General definitions.*—Throughout this report "net income" means the amount of gross income, as defined in the revenue act effective for the year for which the returns are filed, in excess of the deductions claimed by the taxpayer under the provisions of the respective acts, and "deficit" means excess of deductions over gross income. The net income of individuals includes capital net gain from sale of assets held more than two years. Credits allowed individuals, such as personal exemption, credit for dependents, net loss for prior year, and net loss from the sale of capital assets held more than two years which is reported for tax credit, are not included in deductions; neither is the special credit of \$3,000 for domestic corporations having net income of \$25,000 or less nor net loss for prior year included in deductions in arriving at net income of corporations.

Gross income and deductions shown in the corporation tables correspond to the total income and total deductions reported on the face of the return plus the cost of goods sold.

The amount of income tax liability returned for 1930, shown in the tabulations in this volume, is not entirely comparable with the

amount of taxes collected during the calendar year 1931. A variety of factors is responsible for this discrepancy. Several of the important factors are—

1. The amount of tax originally reported on the returns does not always represent precisely the amount of tax paid, for the reason that an adjustment may be made after the data have been taken from the original returns for the Statistics of Income. These adjustments may result in additional assessments, thereby increasing the tax liability, or in certificates of overassessments, thereby decreasing the tax liability. An amended return has the same effect as an adjustment.

2. Income and profits taxes paid to foreign governments or possessions of the United States are deductible from income taxes payable to the United States but are limited in general by section 131 (b) of the revenue act of 1928 to the same proportion of the tax against which the credit is taken, which the taxpayer's net income from sources without the United States bears to his entire net income for the same taxable year. The amount of tax taken as credit under this provision of law has not been deducted from the amount of tax liability shown in the tabulations. The aggregate amount of income and profits taxes paid to foreign governments or possessions of the United States taken as a credit by individuals and corporations is, however, shown in separate tables on pages 15 and 23. Individual income taxes paid at the source on tax-free covenant bonds are deductible from income taxes payable by individuals but are not deducted in the income tax liability of individual returns shown herein.

3. The amount of income taxes in fiscal year returns included in this tabulation may not represent taxes collected during 1931 on such returns. Fiscal year returns are required to be filed on or before the 15th day of the third month after the end of the fiscal year, and payment, as in the case of calendar year returns, is required at the time the return is filed, or in four quarterly installments. The first of the quarterly installments is due when the return is filed. Thus, during the calendar year 1931, collections were made of part or all of the taxes in returns for fiscal years ended from January 31, 1930 (the last quarterly installment payment on which was due on or before January 15, 1931), to September 30, 1931 (the filing of returns and the full payment or first installment payment on which was due on or before December 15, 1931), whereas, as previously indicated, there are excluded from these statistics the returns for fiscal years ending prior to July 1, 1930, and subsequent to June 30, 1931.

4. Delays in payment due to financial embarrassment, death, liquidation of business, or any other cause, result in collection of taxes after the close of the year in which such taxes are due, and the classification of such collections as "back taxes" because made in a subsequent year. Certain amounts are uncollectible, due likewise to the above causes.

5. Current collections include such interest and penalty items as are received during the year in connection with delinquent payments on returns for 1930.

*Industrial classification.*—The industrial classification is based on the predominant business of nonaffiliated corporations or of groups of affiliated corporations filing a single return. The business classification, therefore, does not contain solely corporations engaged ex-

clusively in the industries in which they are classified, due to the diversified industrial activities of many corporations and especially to affiliated corporations filing consolidated returns, which latter include the income and deductions of the subsidiary or affiliated concerns. If such subsidiary or affiliated concerns could be classified independently of the consolidated returns, many would fall in industrial divisions other than the ones in which they are included.

*Geographic distribution.*—The data for States and minor civil divisions, although compiled from returns filed in each locality, do not represent what may be called the geographic distribution of income, there being no way of ascertaining from the income tax returns the amount of income originating in the respective States or the amount of tax paid on that basis, as income reported by an individual or corporation in one State may have been derived from sources in other States. An individual files his income tax return in the collection district in which his legal residence or principal place of business is located, and a corporation files its income tax return in the collection district in which its principal place of business or the principal office or agency is situated, excepting closely affiliated concerns filing a consolidated return. In the latter case the consolidated return is frequently filed in a State other than the State in which the principal place of business or principal office or agency of the subsidiaries is located.

#### INDIVIDUAL INCOME TAX RETURNS

The number of returns of individuals for 1930 was 3,707,509, of which 2,037,645 were taxable and 1,669,864 nontaxable. The aggregate net income was \$18,118,634,941; the net income on taxable returns was \$13,692,584,305, on which the tax liability was \$476,714,808. As compared with the returns for the previous year, the total number for 1930 decreased by 336,818, or 8.33 per cent. The average net income for 1930 was \$4,887.01 for all returns and \$6,719.81 for taxable returns, the average amount of tax liability was \$128.58 for all returns and \$233.96 for taxable returns, and the average tax rate was 2.63 per cent for all returns and 3.48 per cent for taxable returns. For the preceding year the average net income was \$6,132.22 for all returns and \$8,337.30 for taxable returns, the average tax liability was \$247.74 for all returns and \$407.62 for taxable returns, and the average tax rate was 4.04 per cent for all returns and 4.89 per cent for taxable returns. The ratio of the number of returns filed to the total population (census April 1, 1930) is 3.01 per cent, as compared with a corresponding ratio for the preceding year of 3.28 per cent.

In comparing the change in average tax liability in the 1930 returns with that for the preceding year, attention is directed to the normal tax rates, which were 5, 3, and 1½ per cent for 1930, but which had been temporarily reduced on individual incomes for 1929 to 4, 2, and ½ per cent, respectively, by the joint resolution of Congress approved by the President on December 16, 1929.

The distribution of returns of individuals by States and Territories is given in basic Table 1, pages 67–68, and by net income classes in basic Table 2, pages 69–70. Each of these tables shows number of returns, net income, and tax.

# STATISTICS OF INCOME FOR 1931

TREASURY DEPARTMENT,  
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,  
*Washington, D.C., October 18, 1933.*

SIR: In accordance with the provisions contained in the Revenue Act of 1916 and subsequent Acts for the publication annually of statistics with respect to the operation of the income, war-profits, and excess-profits tax laws, I have the honor to transmit herewith a report entitled "Statistics of Income for 1931," prepared from the income-tax returns of individuals and corporations for that year filed during 1932, with a historical presentation of the income and tax liability reported by individuals and corporations since the inception of the present period of income taxation under the sixteenth amendment to the Constitution. The report also contains tabulations of data from estate-tax returns filed during 1932, irrespective of the date of death of the decedent, and a brief historical summary.

## GENERAL EXPLANATIONS

*Returns tabulated.*—In general, the returns included in this report are for the calendar year 1931, filed under the provisions of the Revenue Act of 1928. However, a considerable number of corporation returns and a negligible number of individual returns are for a fiscal year other than the calendar year. Thus there are included with the returns for the calendar year 1931, returns with fiscal year ending within the period July 1, 1931, to June 30, 1932, and fractional (part year) returns for which the greater part of the period falls in 1931. Returns with income falling in the calendar year 1932 are filed under the provisions of the Revenue Act of 1932 as well as that of 1928.

The general tables therefore include calendar, fiscal, and fractional (part year) returns, except when otherwise specified. The general tables for corporations include all returns, those showing net income as well as those showing no net income.

The general tables for individuals include only returns showing net income. The data tabulated from returns with no net income are shown on pages 19, 125. Prior to 1928 no tabulations were made from returns with no net income. The Revenue Act of 1921 and subsequent acts provide that a return be filed, irrespective of the amount of net income (or deficit), by every individual, if single or if married and not living with husband or wife, having a gross income of \$5,000 and over, and every married couple living together having an aggregate gross income of \$5,000 and over. Moreover, returns showing net income below the minimum provided by the revenue acts are frequently filed by married couples who elect to file separate returns as provided by law; also as part year returns filed in the case of the death of the taxpayer and covering the income period to the date of death, and in cases where the taxpayer elects to change the accounting period.

The statistics contained in this report are based on the taxpayers' returns as filed, unaudited except for a preliminary examination to insure proper execution of the returns, and include amended returns showing net income of \$100,000 and over, but do not include amended returns with net income under \$100,000. Income-tax returns filed by individuals having net income of \$5,000 and over and individual returns of net income under \$5,000 which display income characteristics similar to those usually found in returns of net income of \$5,000 and over, such as varied or unusual sources of income or large total income, and all returns filed by corporations, pass through the statistical section, and the data are tabulated from each of these returns.

The statistics applying to individual returns with net income under \$5,000, except those specified above (which numbered approximately 133,000), represent estimates based on samples of such returns. Averages for the various items from a sample for each State are applied to the total number of returns of the class which they represent to secure estimates for the particular State. The samples are selected from both forms on which individual incomes are reported—form 1040 for net income from salaries or wages of more than \$5,000, or income regardless of amount from business, profession, rents, or sale of property, and form 1040-A for net income of not more than \$5,000, derived chiefly from salaries and wages. All 1040 returns are sent to Washington for audit, and those with net income under \$5,000 are sampled by the statistical section. The 1040-A returns are audited in the collection districts, and samples only are sent to Washington.

The sample for 1931 included approximately 214,000 returns on form 1040, and 200,000 on form 1040-A, representing for each collection district not less than 10 percent of the number of each form of return with net income under \$5,000, distributed approximately equally between taxable and nontaxable returns. The specified minimum for the 1040 returns was 4,000 wherever the number filed exceeded that figure, and for 1040-A's the minimum was 2,000 wherever the number filed exceeded that figure. When the number of returns filed in any collection district in this class was less than the respective minima the entire number filed was tabulated.

For 1929 and subsequent years the number of returns with net income under \$5,000 is based in part on Income Tax Unit reports and in part on reports of collectors; for years prior to 1929 it is based on collectors' reports. (See 1929 Statistics of Income, p. 2.)

Certain basic tables heretofore included in the Statistics of Income have been omitted. However, the data, if available, may be obtained from the Bureau of Internal Revenue upon request. In certain text and basic tables the amounts in dollars are expressed in thousands. In every case where this rounding occurs it is clearly indicated in the subtitle or in a column heading of the table.

*General definitions.*—Throughout this report "net income" represents the amount of gross income, as defined in the revenue act effective for the year for which the income is returned, in excess of the deductions claimed by the taxpayer under the provisions of the respective acts, and "deficit" means excess of deductions over gross income. The net income of individuals includes capital net gain from sale of assets held more than 2 years. Credits allowed individuals, such as personal exemption, credit for dependents, net loss

for prior year, and net loss from the sale of capital assets held more than 2 years which is reported for tax credit, are not included in deductions; neither is the special credit of \$3,000 for domestic corporations having net income of \$25,000 or less nor net loss for prior year included in deductions in arriving at net income of corporations.

Gross income and deductions shown in the corporation tables correspond to the total income and total deductions reported on the face of the return plus the cost of goods sold.

The amount of income-tax liability returned for 1931, shown in the tabulations in this volume, is not entirely comparable with the amount of taxes collected during the calendar year 1932. Several factors are responsible for this discrepancy, among which are the following:

1. The amount of tax originally reported on the returns does not always represent precisely the amount of tax paid, for the reason that an adjustment may be made after the data have been taken from the original returns for the Statistics of Income. These adjustments may result in additional assessments, thereby increasing the tax liability, or in certificates of overassessments, thereby decreasing the tax liability. An amended return has the same effect as an adjustment.

2. Income and profits taxes paid to foreign governments or possessions of the United States are deductible from income taxes payable to the United States as limited by section 131 (b) of the Revenue Act of 1928 with respect to income returned for 1930 and 1931 and as limited by section 131 (b) of the Revenue Act of 1932 with respect to income for 1932. The amount of tax taken as credit under this provision of law has not been deducted from the amount of tax liability shown in the tabulations. The aggregate amount of income and profits taxes paid to foreign governments or possessions of the United States taken as a credit by corporations is, however, shown on page 26. Similar figures for individual returns are available only for the years 1925 to 1930, inclusive, and appear on page 9 of the Statistics of Income for 1930. Individual income taxes paid at the source on tax-free covenant bonds are deductible from income taxes payable by individuals but are not deducted in the income-tax liability of individual returns shown herein. However, all collections representing income tax paid at source on tax-free covenant bonds are classified with the corporation income-tax collections, due to the tax being assessed against the debtor corporations notwithstanding the fact that it is paid on behalf of individual holders of bonds.

3. The amount of income taxes in fiscal year returns included in this tabulation may not represent taxes collected during 1932 on such returns. Fiscal year returns are required to be filed on or before the 15th day of the third month after the end of the fiscal year, and payment as in the case of calendar year returns, is required at the time the return is filed, or in four quarterly installments. The first of the quarterly installments is due when the return is filed. Thus, during the calendar year 1932, collections were made of part or all of the taxes in returns for fiscal years ended from January 31, 1931 (the last quarterly installment payment on which was due on or before Jan. 15, 1932), to September 30, 1932 (the filing of returns and the full payment or first installment payment on which was due on or before Dec. 15, 1932), whereas, as previously indicated, there are excluded from these statistics the returns for fiscal years ending prior to July 1, 1931, and subsequent to June 30, 1932.

4. Delays in payment due to financial embarrassment, death, liquidation of business, or any other cause, result in collections of taxes after the close of the year in which such taxes are due, and the classification of such collections as "back taxes" because made in a subsequent year. Certain amounts are uncollectible, due likewise to the above causes.

5. Current collections include such interest and penalty items as are received during the year in connection with delinquent payments on returns for 1931.

*Industrial classification.*—The industrial classification is based on the predominant business of nonaffiliated corporations or of groups of affiliated corporations filing a single return. The industrial groups, therefore, do not contain solely corporations engaged exclusively in the industries in which they are classified, due to the diversified industrial activities of many corporations and especially to affiliated corporations filing consolidated returns, which latter include the income and deductions of the subsidiary or affiliated corporations. If such affiliated corporations could be classified independently of the consolidated returns, many would fall in industrial divisions other than the ones in which they are included.

*Geographic distribution.*—The data, although tabulated by returns filed in each State, do not represent what may be called the geographic distribution of income, there being no way of ascertaining from the income-tax returns the amount of income originating in the respective States or the amount of tax paid on that basis, as income reported by an individual or corporation in one State may have been derived from sources in other States. An individual files his income-tax return in the collection district in which his legal residence or principal place of business is located, and a corporation files its income-tax return in the collection district in which its principal place of business or the principal office or agency is situated, excepting closely affiliated concerns filing a consolidated return. In the latter case the consolidated return is frequently filed in a State other than the State in which the principal place of business or principal office or agency of the subsidiaries is located.

#### INDIVIDUAL INCOME-TAX RETURNS

The number of returns of individuals for 1931 was 3,225,924, of which 1,525,546 were taxable and 1,700,378 nontaxable. The aggregate net income was \$13,604,996,128; the net income on taxable returns was \$9,297,017,593, on which the tax liability was \$246,127,-277. As compared with the returns for the previous year, the total number for 1931 decreased by 481,585, or 12.99 percent. The average net income for 1931 was \$4,217.40 for all returns and \$6,094.22 for taxable returns, the average amount of tax liability was \$76.30 for all returns and \$161.34 for taxable returns, and the average tax rate was 1.81 percent for all returns and 2.65 percent for taxable returns. For the preceding year the average net income was \$4,887.01 for all returns and \$6,719.81 for taxable returns, the average tax liability was \$128.58 for all returns, and \$233.96 for taxable returns, and the average tax rate was 2.63 percent for all returns and 3.48 percent for taxable returns. The ratio of the number of returns filed to the total population (Census Bureau estimate of population as of July 1, 1931) is 2.59 percent, as compared with a corresponding ratio for the preceding year of 3.01 percent.

# STATISTICS OF INCOME FOR 1932

TREASURY DEPARTMENT,  
OFFICE OF COMMISSIONER OF INTERNAL REVENUE,  
Washington, D.C., November 7, 1934.

SIR: In accordance with the provisions contained in the Revenue Act of 1916 and subsequent acts for the publication annually of statistics with respect to the operation of the income, war-profits, and excess-profits tax laws, I have the honor to transmit herewith a report entitled "Statistics of Income for 1932," prepared from the income-tax returns of individuals and corporations for that year filed during 1933, with a historical presentation of the income and tax liability reported by individuals and corporations since the inception of the present period of income taxation under the sixteenth amendment to the Constitution. The report also contains tabulations of data from estate-tax returns filed during 1933, irrespective of the date of death of the decedent, and a brief historical summary, as well as tabulations of data from gift-tax returns filed during 1933.

## GENERAL EXPLANATIONS

*Returns tabulated.*—In general, the returns included in this report are for the calendar year 1932, filed under the provisions of the Revenue Act of 1932. The major provisions of this act affecting individual income taxes were the reduction in personal exemptions from \$3,500 to \$2,500 for married individuals, or heads of families, and from \$1,500 to \$1,000 for single individuals; an increase in the normal tax rates from 1½, 3, and 5 percent to 4 and 8 percent; increased surtaxes—graduated from 1 percent on net income in excess of \$6,000 to 55 percent on net income in excess of \$1,000,000, in lieu of 1 percent on net income in excess of \$10,000 to 20 percent in excess of \$100,000; elimination of the tax credit for earned income; and limitation of deduction for losses from sales or exchanges of stocks and bonds (as defined in the act) held for a period of 2 years or less to the amount of gains from similar transactions. For corporations, this act increased the tax rate for 1932 from 12 to 13¾ percent, with an additional tax of three-fourths of 1 percent on net income reported on consolidated returns, eliminated the specific credit of \$3,000 for corporations with small incomes, and limited the deductions for prior year losses to losses of the preceding year.

Although most of the returns included in this report are for the calendar year 1932, a considerable number of corporation returns and a negligible number of individual returns are for a fiscal year other than the calendar year. Thus there are included with the returns for the calendar year 1932, returns with fiscal year ending within the period July 1, 1932, to June 30, 1933, and fractional (part year) returns for which the greater part of the period falls in 1932. The

general tables therefore include calendar, fiscal, and fractional (part year) returns, except when otherwise specified.

The general tables for corporations include all returns, those showing net income as well as those showing no net income. The general tables for individuals include only returns showing net income. The data tabulated from returns with no net income are shown on pages 20 and 131. Prior to 1928 no tabulations were made from returns with no net income. The Revenue Act of 1921 and subsequent acts provide that a return be filed, irrespective of the amount of net income (or deficit), by every individual, if single or if married and not living with husband or wife, having a gross income of \$5,000 and over, and every married couple living together having an aggregate gross income of \$5,000 and over. Moreover, returns showing net income below the minimum provided by the revenue acts are frequently filed by married couples who elect to file separate returns as provided by law; also as part-year returns filed in the case of the death of the taxpayer and covering the income period to the date of death, and in cases where the taxpayer elects to change the accounting period.

The statistics contained in this report are based on the taxpayers' returns as filed, unaudited except for a preliminary examination to insure proper execution of the returns, and include amended returns showing net income of \$100,000 and over, but do not include amended returns with net income under \$100,000. Income-tax returns filed by individuals having net income of \$5,000 and over and individual returns of net income under \$5,000 which display income characteristics similar to those usually found in returns of net income of \$5,000 and over, such as varied or unusual sources of income or large total income, and all returns filed by corporations, pass through the statistical section, and the data are tabulated from each of these returns.

The statistics applying to individual returns with net income under \$5,000, except those specified above (which numbered approximately 330,000), represent estimates based on samples of such returns. Averages for the various items from a sample for each State are applied to the total number of returns of the class which they represent to secure estimates for the particular State. The samples are selected from both forms on which individual incomes are reported—form 1040 for net income from salaries or wages of more than \$5,000, or income regardless of amount from business, profession, rents, or sale of property, and form 1040A for net income of not more than \$5,000, derived chiefly from salaries and wages. All 1040 returns are sent to Washington for audit, and those with net income under \$5,000 are sampled by the statistical section. The 1040A returns are audited in the collection districts, and samples only are sent to Washington.

The sample for 1932 included approximately 240,000 returns on form 1040, and 263,000 on form 1040A, representing for each collection district not less than 10 percent of the number of each form of return with net income under \$5,000, distributed approximately equally between taxable and nontaxable returns. The specified minimum for the 1040 returns was 4,000 wherever the number filed exceeded that figure, and for 1040A's the minimum was 2,000 wherever the number filed exceeded that figure. When the number of returns filed in any collection district in this class was less than the respective minima the entire number filed was tabulated.

For 1929 and subsequent years the number of returns with net income under \$5,000 is based in part on Income Tax Unit reports and in part on reports of collectors; for years prior to 1929 it is based on collectors' reports. (See 1929 Statistics of Income, p. 2.)

In certain text and basic tables the amounts in dollars are expressed in thousands. In every case where this rounding occurs it is clearly indicated in the subtitle or in a column heading of the table.

*General definitions.*—Throughout this report "net income" represents the amount of gross income, as defined in the revenue act effective for the year for which the income is returned, in excess of the deductions claimed by the taxpayer under the provisions of the respective acts, and "deficit" means excess of deductions over gross income. The net income of individuals includes capital net gain from sale of assets held more than 2 years. Credits allowed individuals, such as personal exemption, credit for dependents, net loss for prior year, and net loss from the sale of capital assets held more than 2 years which is reported for tax credit, are not included in deductions; neither is net loss for prior year included in deductions in arriving at net income of corporations.

Gross income and deductions shown in the corporation tables correspond to the total income and total deductions reported in items 13 and 25, respectively, plus the cost of goods sold, item 2, and cost of other operations, item 5 on face of return for 1932. Attention is directed to changes in certain items on face of return for 1932. (See form 1120, p. 226.)

The amount of income-tax liability returned for 1932, shown in the tabulations in this volume, is not entirely comparable with the amount of taxes collected during the calendar year 1933. Several factors are responsible for this discrepancy, among which are the following:

1. The amount of tax originally reported in the returns does not always represent precisely the amount of tax paid, for the reason that an adjustment may be made after the data have been taken from the original returns for the Statistics of Income. These adjustments may result in additional assessments, thereby increasing the tax liability, or in certificates of overassessments, thereby decreasing the tax liability. An amended return has the same effect as an adjustment.

2. Income and profits taxes paid to foreign governments or possessions of the United States are deductible from income taxes payable to the United States as limited by section 131 (b) of the Revenue Act of 1928 with respect to income returned for 1931 and as limited by section 131 (b) of the Revenue Act of 1932 with respect to income for 1932. The amount of tax taken as credit under this provision of law has not been deducted from the amount of tax liability shown in the tabulations. The aggregate amount of income and profits taxes paid to foreign governments or possessions of the United States taken as a credit by corporations, 1925 to 1932, is, however, shown on page 26. Similar figures for individual returns are available only for the years 1925 to 1930, inclusive, and appear on page 9 of the Statistics of Income for 1930. Individual income taxes paid at the source on tax-free covenant bonds are deductible from income taxes payable by individuals but are not deducted in the income-tax liability of individual returns shown herein. However, all collections representing income tax paid at source on tax-free covenant bonds are classified

with the corporation income tax collections, due to the tax being assessed against the debtor corporation notwithstanding the fact that it is paid on behalf of individual holders of bonds.

3. The amount of income taxes in fiscal-year returns included in this tabulation may not represent taxes collected during 1933 on such returns. Fiscal-year returns are required to be filed on or before the 15th day of the third month after the end of the fiscal year, and payment as in the case of calendar-year returns is required at the time the return is filed, or in four quarterly installments. The first of the quarterly installments is due when the return is filed. Thus, during the calendar year 1933, collections were made of part or all of the taxes in returns for fiscal years ended from January 31, 1932 (the last quarterly installment payment on which was due on or before Jan. 15, 1933), to September 30, 1933 (the filing of returns and the full payment or first installment payment on which was due on or before Dec. 15, 1933), whereas, as previously indicated, there are excluded from these statistics the returns for fiscal years ending prior to July 1, 1932, and subsequent to June 30, 1933.

4. Delays in payment due to financial embarrassment, death, liquidation of business, or any other cause, result in collections of taxes after the close of the year in which such taxes are due, and the classification of such collections as "back taxes" because made in a subsequent year. Certain amounts are uncollectible, due likewise to the above causes.

5. Current collections include such interest and penalty items as are received during the year in connection with delinquent payments on returns for 1932.

*Industrial classification.*—The industrial classification is based on the predominant business of nonaffiliated corporations or of groups of affiliated corporations filing a single return. The industrial groups, therefore, do not contain solely corporations engaged exclusively in the industries in which they are classified, due to the diversified industrial activities of many corporations and especially to affiliated corporations filing consolidated returns, which latter include the income and deductions of the subsidiary or affiliated corporations. If such affiliated corporations could be classified independently of the consolidated returns, many would fall in industrial divisions other than the ones in which they are included.

*Geographic distribution.*—The data, although tabulated by returns filed in each State, do not represent what may be called the geographic distribution of income, there being no way of ascertaining from the income-tax returns the amount of income originating in the respective States or the amount of tax paid on that basis, as income reported by an individual or corporation in one State may have been derived from sources in other States. An individual files his income-tax return in the collection district in which his legal residence or principal place of business is located, and a corporation files its income-tax return in the collection district in which its principal place of business or the principal office or agency is situated, excepting closely affiliated concerns filing a consolidated return. In the latter case the consolidated return is frequently filed in a State other than the States in which the principal places of business or principal offices or agencies of the subsidiaries are located.

*Comparability with previous reports.*—In various sections of this report, attention is called to special conditions affecting the comparability of specific items with similar data for earlier years. In addition there are certain major conditions which prevent strict comparability of the corporation income-tax data from year to year. Shifts in the industrial classification are due among other causes to the affiliation of concerns formerly filing separate returns and the disintegration of groups of concerns filing consolidated returns. Such changes in corporation returns also affect the geographic distribution of data through changes in the location of the principal place of business or principal office or agency of concerns entering into or separating from consolidated groups. Moreover, the total as well as the separate items of assets and liabilities, and of receipts and deductions, are affected by changes in affiliations for consolidated returns.

Changes in the provisions of the revenue acts under which the returns for given years are filed also interfere with a precise comparability of the data.

#### INDIVIDUAL INCOME-TAX RETURNS

The number of returns of individuals for 1932 was 3,877,430, of which 1,936,095 were taxable and 1,941,335 nontaxable. The aggregate net income was \$11,655,756,678; the net income on taxable returns was \$7,919,587,855, on which the tax liability was \$329,962,311. As compared with the returns for the previous year, the total number for 1932 increased by 651,506, or 20.2 percent. The average net income for 1932 was \$3,006.05 for all returns, and \$6,020.24 for taxable returns, the average amount of tax liability was \$85.10 for all returns and \$170.43 for taxable returns, and the average tax rate was 2.8 percent for all returns and 4.2 percent for taxable returns. For the preceding year the average net income was \$4,217.40 for all returns and \$6,094.22 for taxable returns, the average tax liability was \$76.30 for all returns, and \$161.34 for taxable returns, and the average tax rate was 1.8 percent for all returns and 2.7 percent for taxable returns. The ratio of the number of returns filed to the total population (Census Bureau estimate of population as of July 1, 1932) is 3.1 percent, as compared with a corresponding ratio for the preceding year of 2.6 percent.

The distribution of returns of individuals by States and Territories is given in basic table 1, page 65, and by net income classes in basic table 2, pages 66 and 67. Each of these tables shows number of returns, net income, and tax.

#### SIMPLE AND CUMULATIVE DISTRIBUTION BY NET INCOME CLASSES OF NUMBER OF RETURNS, NET INCOME, AND TAX (INDIVIDUAL RETURNS)

The distribution of the returns, by a limited number of net income classes, is exhibited in the following table, which includes the number of returns, net income, and tax; also cumulative totals and percentages. In basic table 3, pages 68 to 70, a similar distribution of the number of returns, net income, and tax is shown by a more detailed net income classification.